



WITZENBERG

Municipality • Munisipaliteit • UMasipala Wase



[These financial statements have not been audited]

DRAFT 2015 08 31

FINANCIAL STATEMENTS

30 JUNE 2015

WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Statement of comparison of budget and actual amounts	7
Accounting Policies	8 - 23
Notes to the Financial Statements	24 - 55
 APPENDICES - Unaudited	
A Schedule of External Loans	56
B Segmental Statement of Financial Performance - Municipal Votes	57
C Segmental Statement of Financial Performance	58
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	59

WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Witzenberg Municipality is a local municipality performing the functions as set out in Part B of Schedules 4 & 5 of the Constitution of the Republic of South Africa. (Act No. 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Witzenberg Municipality includes the following areas:

*Ceres
Op-die-Berg
Prince Alfred's Hamlet
Tulbagh
Wolseley*

MUNICIPAL MANAGER

D Nasson

CHIEF FINANCIAL OFFICER

HJ Kritzingner

REGISTERED OFFICE

50 Voortrekker Street, Ceres, 6835

AUDITORS

Auditor-General South Africa

PRINCIPAL BANKERS

Standard Bank, Ceres

RELEVANT LEGISLATION

The Constitution of the Republic of South Africa
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations
Remuneration of Public Office Bearers Act
Workman's Compensation Act

WITZENBERG MUNICIPALITY

MEMBERS OF THE WITZENBERG MUNICIPALITY

COUNCILLORS

Position	Surname	Party	Seat type
Executive Mayor	Klazen, JNED	DCP	PR 1
Deputy Executive Mayor	Adams, K	Independent	Ward 6
Speaker	Godden, TT	COPE	PR 1
Member of Mayoral Committee	Louw, S	DA	PR 1
Member of Mayoral Committee	Fredericks, JP	VIP	PR 1
Member of Mayoral Committee	Smit, HJ	DA	Ward 5
Member of Mayoral Committee	Visagie, JJ	DA	Ward 4
Ordinary Councillor	Badela, R	ANC	Ward 12
Ordinary Councillor	Du Plessis, JJ	DA	PR 3
Ordinary Councillor	Du Toit, MC	ANC	PR 1
Ordinary Councillor	Daniels, P	DA	Ward 7
Ordinary Councillor	Klaasen, BC	DA	PR 2
Ordinary Councillor	Mouton, JS	ANC	PR 2
Ordinary Councillor	Ndwanya, SM	ANC	PR 4
Ordinary Councillor	Phungula, JT	ANC	PR 3
Ordinary Councillor	Salmon, L	ANC	Ward 8
Ordinary Councillor	Saula, MI	ANC	Ward 1
Ordinary Councillor	Sidego, EM	DA	Ward 11
Ordinary Councillor	Simpson, RJ	ANC	Ward 9
Ordinary Councillor	Swart, D	DA	Ward 2
Ordinary Councillor	Chaaban, BJ	NPP	PR 1
Ordinary Councillor	Hanekom, WJ	DA	Ward 3
Ordinary Councillor	Smith, A	ANC	Ward 10

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

D Nasson
Municipal Manager

Date

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	2015 R	2014 R
ASSETS			
Current Assets		130 740 216	92 320 431
Cash and Cash Equivalents	2	62 383 031	33 062 878
Receivables from exchange transactions	3	48 589 223	39 723 312
Receivables from non-exchange transactions	4	6 962 640	5 905 223
Inventory	5	7 324 084	7 552 227
Current Portion of Long-term Receivables	6	52 300	59 931
Unpaid Conditional Government Grants and Receipts	7	821 870	1 977 543
VAT Receivable (net)	8	4 607 068	4 039 317
Non-current assets held for sale	9	-	-
Non-Current Assets		737 189 686	651 278 318.79
Long-Term Receivables	6	113 693	114 767
Non-Current Investments	10	105 062	105 062
Property, Plant and Equipment	11	648 599 641	598 370 230
Intangible Assets	12	722 757	1 348 948
Investment Property	13	49 009 502	49 596 404
Heritage assets	14	550 000	550 000
Operating Lease Asset	15	21 535	25 448
Capitalised Restoration Cost	16	38 067 496	1 167 460
Total Assets		867 929 902	743 598 750
LIABILITIES			
Current Liabilities		74 219 581	79 696 860
Payables from exchange transactions	17	46 113 591	37 432 084
Consumer Deposits	18	2 474 778	2 040 705
Provisions	19	-	16 656 258
Current Employee benefits	20	12 991 960	12 980 380
Unspent Conditional Government Grants and Receipts	7	2 148 270	1 277 509
Unspent Public Contributions	21	1 631 250	1 019 460
Current Portion of Long-term Liabilities	22	8 859 732	8 290 463
Non-Current Liabilities		159 670 864	105 294 872
Long-term Liabilities	22	18 348 679	25 708 909
Non-Current Provisions	23	66 794 185	8 484 964
Employee benefits	24	74 528 000	71 101 000
Total Liabilities		233 890 445	184 991 732
Net Assets		634 039 456	558 607 017
Capital Replacement Reserve	25	9 430 377	9 218 922
Accumulated Surplus		624 609 079	549 388 095
Total Net Assets and Liabilities		867 929 901	743 598 749

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R	2014 Correction of error R	2014 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		205 815 617	194 935 609	-	194 935 609
Taxation Revenue		51 679 412	48 907 310	-	48 907 310
Property rates	26	50 327 630	47 649 701	-	47 649 701
Property Rates - penalties imposed and collection charges		1 351 782	1 257 609	-	1 257 609
Transfer Revenue		154 136 205	146 028 299	-	146 028 299
Fines		11 146 759	7 419 740	-	7 419 740
Government Grants and Subsidies - Capital	27	51 634 066	48 136 433	-	48 136 433
Government Grants and Subsidies - Operating	27	84 008 296	89 100 522	-	89 100 522
Public Contributions and Donations		7 347 084	1 371 604	-	1 371 604
Revenue from Exchange Transactions		269 140 377	248 430 873	-	248 430 873
Service Charges	28	240 269 470	224 378 974	-	224 378 974
Rental of Facilities and Equipment		9 272 786	7 616 617	-	7 616 617
Interest Earned - external investments		4 657 957	3 265 431	-	3 265 431
Interest Earned - outstanding debtors		7 585 300	6 076 841	-	6 076 841
Licences and Permits		152 857	166 042	-	166 042
Agency Services		3 849 268	3 326 448	-	3 326 448
Other Income	29	3 352 336	3 597 881	-	3 597 881
Unamortised Discount - Interest		403	2 639	-	2 639
Total Revenue		474 955 994	443 366 482	-	443 366 482
EXPENDITURE					
Employee related costs	30	115 935 927	107 051 074	-	107 051 074
Remuneration of Councillors	31	8 064 895	7 788 802	-	7 788 802
Debt Impairment	32	26 525 951	27 825 458	-	27 825 458
Collection Costs		518 789	155 152	-	155 152
Depreciation and Amortisation	33	26 630 175	17 873 964	1 705 235	16 168 729
Repairs and Maintenance		18 470 170	14 993 566	467 249	14 526 317
Unamortised Discount - Interest paid		1 485 916	1 701 071	-	1 701 071
Finance Charges	35	12 814 203	10 671 992	-	10 671 992
Bulk Purchases	36	138 170 284	125 406 539	-	125 406 539
Contracted services		29 221 334	37 122 419	205 557	36 916 862
Grants and Subsidies	37	921 770	812 208	-	812 208
General Expenses	38	33 528 838	31 571 136	(113 937)	31 685 073
Total Expenditure		412 288 252	382 973 381	2 264 104	380 709 277
Gain / (loss) on disposal of assets		4 145 450	(749 801)	-	(749 801)
(Impairment loss)	34	(22 534)	(278 483)	-	(278 483)
Gain on Adjustment of Provision		4 581 861	-	-	-
Inventories: (Write-down) / Reversal of write-down		(1 302)	(98 526)	-	(98 526)
Gain / (loss) on Actuarial Valuations	24	4 061 222	(8 566 234)	(10 058 000)	1 491 766
NET SURPLUS FOR THE YEAR		75 432 439	50 700 057	(12 322 104)	63 022 161

WITZENBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
		R	R	R
Balance at 1 JULY 2013		8 565 886	506 731 018	515 296 904
Correction of error	39.16	-	(7 389 943)	(7 389 943)
Restated Balance at 1 JULY 2013		8 565 886	499 341 075	507 906 961
Contribution to Capital Replacement Reserve		13 309 519	(13 309 519)	-
Property, Plant and Equipment purchased		(12 656 483)	12 656 483	-
Net Surplus for the year		-	63 022 161	63 022 161
Correction of error			(12 322 104)	(12 322 104)
Balance at 30 JUNE 2014		9 218 922	549 388 095	558 607 017
Contribution to Capital Replacement Reserve		12 503 989	(12 503 989)	-
Property, Plant and Equipment purchased		(12 292 534)	12 292 534	-
Net Surplus for the year		-	75 432 439	75 432 439
Balance at 30 JUNE 2015		9 430 377	624 609 079	634 039 456

WITZENBERG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 R	30 JUNE 2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation	40	48 573 644	44 204 297
Sales of goods and services		237 993 840	206 657 729
Government Grants		137 668 796	138 392 645
Interest		13 595 039	10 599 881
Payments			
Employee costs		(108 436 126)	(101 216 041)
Suppliers		(217 308 150)	(218 049 743)
Finance charges	35	(12 814 203)	(10 671 992)
Transfers and Grants		(921 770)	(812 208)
Cash generated by operations	40	98 351 071	69 104 568
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(64 026 341)	(59 697 400)
Purchase of Investment property		-	-
Purchase of Intangible Assets		(13 300)	(116 241)
Proceeds on Disposal of Fixed Assets		3 006 344	277 520
Increase/(Decrease) in Long-term Receivables	6	(154 816)	44 900
Net Cash from Investing Activities		(61 188 113)	(59 491 221)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(8 276 877)	(7 581 800)
Increase in Consumer Deposits		434 073	178 074
Net Cash from Financing Activities		(7 842 804)	(7 403 726)
NET INCREASE/(DECREASE IN CASH AND CASH EQUIVALENTS)		29 320 153	2 209 622
Cash and Cash Equivalents at the beginning of the year		33 062 878	30 853 256
Cash and Cash Equivalents at the end of the year	2	62 383 031	33 062 878
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29 320 153	2 209 622

WITZENBERG MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	Actual 2015 R	Approved budget 2015 R	Adjustments 2015 R	Final budget 2015 R	Difference between final budget and actual	Actual 2014 R
Operating Revenue						
Property rates	50 327 630	50 347 050	-	50 347 050	0.0%	47 649 701
Property Rates - penalties imposed and collection charges	1 351 782	819 110	-	819 110	65.0%	1 257 609
Fines	11 146 759	5 236 900	3 000 000	8 236 900	35.3%	7 419 740
Government Grants and Subsidies - Capital	51 634 066	45 561 411	6 965 626	52 527 037	-1.7%	48 136 433
Government Grants and Subsidies - Operating	84 008 296	72 044 637	15 910 120	87 954 757	-4.5%	89 100 522
Public Contributions and Donations	7 347 084	461 496	345 951	807 447	809.9%	1 371 604
Service Charges	240 269 470	248 755 395	-	248 755 395	-3.4%	224 378 974
Rental of Facilities and Equipment	9 272 786	7 217 450	-	7 217 450	28.5%	7 616 617
Interest Earned - external investments	4 657 957	2 199 230	-	2 199 230	111.8%	3 265 431
Interest Earned - outstanding debtors	7 585 300	4 650 710	-	4 650 710	63.1%	6 076 841
Licences and Permits	152 857	274 380	-	274 380	-44.3%	166 042
Agency Services	3 849 268	3 218 300	-	3 218 300	19.6%	3 326 448
Other Income	3 352 336	4 369 430	75 500	4 444 930	-24.6%	3 597 881
Unamortised Discount - Interest	403	-	-	-	-	2 639
Total revenue	474 955 994	445 155 499	26 297 197	471 452 696	-0.7%	443 366 482

Operating Expenditure						
Employee related costs	115 935 927	121 034 014	(3 405 346)	117 628 668	1.4%	107 051 074
Remuneration of Councillors	8 064 895	8 363 875	-	8 363 875	3.6%	7 788 802
Debt Impairment	26 525 951	15 000 000	3 000 000	18 000 000	-47.4%	27 825 458
Collection Costs	518 789	761 750	(140 000)	621 750	16.6%	155 152
Depreciation and Amortisation	26 630 175	17 000 000	(3 674)	16 996 326	-56.7%	17 873 964
Repairs and Maintenance	18 470 170	18 150 123	1 571 807	19 721 930	6.3%	14 993 566
Unamortised Discount - Interest paid	1 485 916	1 482 197	-	1 482 197	-0.3%	1 701 071
Finance Charges	12 814 203	11 602 542	(89 330)	11 513 212	-11.3%	10 671 992
Bulk Purchases	138 170 284	147 149 999	-	147 149 999	6.1%	125 406 539
Contracted services	29 221 334	11 972 710	17 809 267	29 781 977	1.9%	37 122 419
Grants and Subsidies	921 770	854 890	57 600	912 490	-1.0%	812 208
Operating Grant Expenditure	-	-	-	-	-	-
Other expenses	20 764 141	40 692 588	-1 837 544	38 855 044	46.6%	41 264 180
Total expenditure	399 523 555	394 064 688	16 962 780	411 027 468	2.8%	392 666 425
Surplus/(deficit) for the period	75 432 439	51 090 811	9 334 417	60 425 228	-24.8%	50 700 057

Operating expenditure by vote

Budget & Treasury Office	34 036 390	34 013 203	382 988	34 396 191	1.0%	29 054 493
Civil Services	81 545 652	74 130 760	1 212 962	75 343 722	-8.2%	78 308 535
Community & Social Services	18 958 602	19 074 346	512 849	19 587 195	3.2%	15 942 068
Corporate Services	24 323 902	28 371 978	(38 497)	28 333 481	14.2%	35 846 539
Electro Technical Services	157 691 166	170 136 243	(1 782 131)	168 354 112	6.3%	146 018 369
Executive & Council	22 029 582	23 854 765	158 502	24 013 267	8.3%	21 697 658
Housing	17 738 684	3 645 321	14 861 764	18 507 085	4.2%	29 694 819
Planning	4 353 887	5 000 145	(236 386)	4 763 759	8.6%	4 373 343
Public Safety	19 835 801	16 352 325	1 928 234	18 280 559	-8.5%	14 967 089
Sport & Recreation	19 009 890	19 485 602	(37 505)	19 448 097	2.3%	16 763 515
Total operating expenditure by vote	399 523 556	394 064 688	16 962 780	411 027 468	2.80%	392 666 428

Capital expenditure by vote

Budget & Treasury Office	118 232	100 000	19 000	119 000	0.6%	135 394
Civil Services	47 568 405	42 290 323	5 313 245	47 603 568	0.1%	36 821 530
Community & Social Services	6 064 452	6 923 581	416 427	7 340 008	17.4%	6 240 077
Corporate Services	547 864	500 000	101 800	601 800	9.0%	716 327
Electro Technical Services	3 952 399	5 100 000	878 000	5 978 000	33.9%	2 813 326
Executive & Council	-	-	-	-	-	-
Housing	-	-	-	-	-	24 511
Planning	3 351 041	5 207 613	(1 849 318)	3 358 295	0.2%	-
Public Safety	37 252	-	39 130	39 130	4.8%	358 010
Sport & Recreation	2 399 997	2 800 000	(374 135)	2 425 865	1.1%	11 856 135
Total capital expenditure	64 039 642	62 921 517	4 544 149	67 465 666	5.08%	58 965 310

The budget is approved on an accrual basis by vote classification as required by the Municipal Finance Management Act. The basis used for this comparison is by nature classification as required by General Recognised Accounting Practices. The approved budget covers the same period as the financial statements, from 1 July to 30 June.

The budget and accounting bases are the same; both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

Please refer to Note 43 for more information on budget comparisons.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 24	Presentation of Budget Information
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 31	Intangible assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts

WITZENBERG MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16(AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 20	Related Party Disclosures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 32	Service Concession Arrangements: Grantor No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 108	Statutory receivable No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

1.7. RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8. LEASES

1.8.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2. Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS**1.11.1. GENERAL PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and

- when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.11.2. REHABILITATION OF LANDFILL SITES PROVISIONS

Provision is made in terms of the licensing stipulations of the landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have discounted to present value at prime interest rate.

1.12. EMPLOYEE BENEFITS

1.12.1. Post-Retirement Medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12.2. Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12.3. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.12.4. Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.12.5. Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.12.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.12.7. Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13. PROPERTY, PLANT AND EQUIPMENT**1.13.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Years		Years
Infrastructure		Other	
Roads and Paving	5-100	Airports	20
Electricity	4-46	Buildings	30-100
Water	15-150	Computer equipment	3-30
Sanitation	15-60	Furniture and equipment	5-30
Other	10-15	Landfill sites	9-24
		Markets	30
Community		Other	3-30
Recreational Facilities	10-30	Other vehicles	5-67
Sport fields & Stadia	10-20	Plant and Equipment	5-32
Halls	5-97	Specialist vehicles	7-38
Libraries	10-30		
Parks and gardens	10		
Other assets	5-30		
Cemeteries	5-30		
Finance lease assets			
Office equipment	4		

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.13.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional arrangement as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The municipality updated the Land and Buildings acquired before 30 June 2008 to the fair value as determined by an independent valuator. For Other Assets the depreciation replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.14. INTANGIBLE ASSETS

1.14.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

the municipality intends to complete the intangible asset for use or sale;
it is technically feasible to complete the intangible asset;
the municipality has the resources to complete the project; and
it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.14.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5
Computer Software Licenses	5

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.14.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. INVESTMENT PROPERTY

1.15.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment

property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.15.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.15.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	99 - 100

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.15.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. HERITAGE ASSETS

1.16.1. Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- the cost or fair value of the asset can be measured reliably.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

1.16.2. Subsequent Measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

1.16.3. Impairment

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.16.4. De-recognition

The carrying amount of a heritage asset is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

Depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18. COMMITMENTS

Commitments are future payments and expenditure to be incurred on contracts that have been entered into at the reporting date and where there are unperformed obligations. The commitments would include both capital and operating items.

Committed expenditure approved and contracted for at reporting date is where the expenditure has been approved and the contract has been awarded.

Committed expenditure approved but not yet contracted for at reporting date is where the expenditure has been approved but the contract has yet to be awarded or is awaiting finalisation.

1.19. INVENTORIES

1.19.1. Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

The cost of purified water comprises cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

1.19.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.21.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.2.4. Non-Current Investments

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3. De-recognition of Financial Instruments**1.21.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

the rights to receive cash flows from the asset have expired; or
the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE**1.22.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised when issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter vouchers is recognised eight days after the sale of the relevant voucher.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22.3. Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker, members of the Mayoral Committee and ordinary councillors.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented

on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. JOINT VENTURES

In respect of the municipalities' interest in jointly controlled assets, the municipality includes in its accounting records and recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with other ventures in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.32. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2	CASH AND CASH EQUIVALENTS	2015 R	2014 R
	Assets		
	Bank Accounts	62 374 606	33 054 452
	Cash Floats	8 425	8 426
	Total Cash and Cash Equivalents - Assets	62 383 031	33 062 878
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The municipality has the following bank accounts:		
	Cash book balance at beginning of year	33 054 452	8 931 456
	Cash book balance at end of year	62 374 606	33 054 452
	The municipality changed it's Primary Bank Account from ABSA Bank Limited to The Standard Bank of South Africa Limited on 1 March 2013. The ABSA account has not been closed at year end as some debtors still pay their service accounts into the old account.		
	Primary Bank Account: Standard Bank - Account Number 203241819		
	Bank statement balance at beginning of year	40 465 237	12 855 343
	Bank statement balance at end of year	66 875 631	40 465 237
	ABSA Bank Limited - Account Number 350000011		
	Bank statement balance at beginning of year	758 562	164 567
	Bank statement balance at end of year	33 194	758 562
3	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	36 181 668	30 797 719
	Water	62 866 645	55 738 272
	Housing Rentals	2 349 861	2 042 412
	Refuse	34 920 866	28 910 300
	Sewerage	28 198 798	23 241 967
	Other	2 538 818	1 982 612
	Land Sales	3 356 771	-
	Total Receivables from Exchange Transactions	170 413 427	142 713 282
	Less: Provision for Impairment	(121 824 204)	(102 989 970)
	Total Net Receivables from Exchange Transactions	48 589 223	39 723 312
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	Included in receivables is the following accrued income (estimated consumption from the last meter reading to 30 June):		
	Accrued Income Electricity	14 887 959	13 396 576
	Accrued Income Water	3 871 165	5 383 419
	Ageing of Receivables from Exchange Transactions:		
	(Electricity): Ageing		
	Accrued Income Electricity	14 887 959	13 396 576
	Current (0 - 30 days)	13 118 193	12 083 988
	31 - 60 Days	1 304 655	575 786
	61 - 90 Days	677 452	312 558
	+ 90 Days	6 193 408	4 428 810
	Total	36 181 668	30 797 719

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED	2015 R	2014 R
<u>(Water): Ageing</u>		
Accrued Income Water	3 871 165	5 383 419
Current (0 - 30 days)	8 283 975	9 875 827
31 - 60 Days	1 383 071	1 347 670
61 - 90 Days	1 087 458	1 084 357
+ 90 Days	48 240 977	38 047 073
Total	62 866 645	55 738 346
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	44 945	47 913
31 - 60 Days	30 646	30 845
61 - 90 Days	27 683	25 908
+ 90 Days	2 246 587	1 937 745
Total	2 349 861	2 042 412
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1 768 731	1 570 356
31 - 60 Days	734 016	658 556
61 - 90 Days	535 993	473 220
+ 90 Days	31 882 125	26 208 167
Total	34 920 866	28 910 299
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1 615 272	1 662 932
31 - 60 Days	604 306	542 607
61 - 90 Days	475 777	396 762
+ 90 Days	25 503 442	20 639 666
Total	28 198 798	23 241 967
<u>(Other): Ageing</u>		
Current (0 - 30 days)	110 499	76 097
31 - 60 Days	155 294	26 882
61 - 90 Days	67 955	32 291
+ 90 Days	2 205 070	1 847 268
Total	2 538 818	1 982 537
<u>(Land Sales): Ageing</u>		
61 - 90 Days	3 100 000	-
+ 90 Days	256 771	-
Total	3 356 771	-
<u>(Total): Ageing</u>		
Accrued Income	18 759 124	18 779 995
Current (0 - 30 days)	24 941 615	25 317 113
31 - 60 Days	4 211 989	3 182 347
61 - 90 Days	5 972 318	2 325 097
+ 90 Days	116 528 380	93 108 729
Total	170 413 427	142 713 281
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	102 989 970	80 738 123
Contribution to provision	18 840 231	22 260 498
Bad Debts Written Off	(5 997)	(8 652)
Balance at end of year	121 824 204	102 989 970

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED		
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	20 176 214	18 422 228
Other Receivables	17 438 767	8 365 091
Accrued Fines	15 648 670	6 581 114
Deposits	224 616	224 615
SARS	524 110	524 110
Prepaid Expenditure	1 035 252	1 035 252
Other receivables	6 119	-
Total Receivables from Non-Exchange Transactions	37 614 981	26 787 319
Less: Provision for Impairment	(30 652 341)	(20 882 096)
Total Net Receivables from Non-Exchange Transactions	6 962 640	5 905 223
Ageing of Receivables from Non-Exchange Transactions:		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	1 723 200	2 150 235
31 - 60 Days	275 762	447 767
61 - 90 Days	108 568	114 655
+ 90 Days	18 068 684	15 709 570
Total	20 176 214	18 422 228
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	20 882 096	12 594 725
Contribution to provision	9 770 245	8 287 371
Balance at end of year	30 652 341	20 882 096
Included in the provision for bad debt are the following amounts in respect of traffic fines	12 638 691	5 275 762
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
5 INVENTORY		
Consumable Stores - At cost	7 307 436	7 534 457
Water - At purification cost	16 648	17 770
Total Inventory	7 324 084	7 552 227
Consumable stores materials written down due to losses as identified during the annual stores counts.	1 302	98 526
Consumable stores materials surpluses identified during the annual stores counts.	-	37
Consumable stores inventory recognised as an expense during the year	7 752 636	7 747 251

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
6	LONG-TERM RECEIVABLES		
	Housing Loans	268 717	282 988
	Sport Club Loans	41 553	44 363
	Town Development	24 300	31 126
		<u>334 570</u>	<u>358 477</u>
	Less: Unamortised Discount on Loans	(4 653)	(5 056)
	Balance 1 July	(5 056)	(7 260)
	Adjustment for the period	403	2 204
		<u>329 917</u>	<u>353 421</u>
	Less: Current portion transferred to current receivables	(52 300)	(59 931)
	Housing Loans	(20 071)	(21 331)
	Sport Club Loans	(7 929)	(7 474)
	Town Development	(24 300)	(31 126)
		<u>277 617</u>	<u>293 490</u>
	Less: Provision for Impairment	(163 924)	(178 723)
	Total Long Term Receivables	<u><u>113 693</u></u>	<u><u>114 767</u></u>
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	178 723	168 450
	Contribution to provision	(14 798)	10 273
	Bad Debts Written Off	-	-
	Balance at end of year	<u><u>163 925</u></u>	<u><u>178 723</u></u>
7	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	2 148 270	1 277 509
	National Government Grants	585 794	31 528
	Provincial Government Grants	1 562 476	1 245 981
	Less: Grants spend but not yet received	821 870	1 977 543
	National Government Grants	755 085	1 807 974
	Provincial Government Grants	66 785	169 569
	Total Conditional Grants and Receipts	<u><u>1 326 400</u></u>	<u><u>(700 034)</u></u>
	Please refer to Note 27 for more information on specific grants.		
8	VAT		
	VAT PAYABLE		
	VAT output in suspense	2 841 524	545 785
	Total Vat payable	<u>2 841 524</u>	<u>545 785</u>
	VAT RECEIVABLE		
	VAT input in suspense	7 448 592	4 585 102
	Total VAT receivable	<u>7 448 592</u>	<u>4 585 102</u>
	NET VAT RECEIVABLE/(PAYABLE)	<u>4 607 068</u>	<u>4 039 317</u>
	VAT is receivable/payable on the cash basis.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
9	NON-CURRENT ASSETS HELD FOR SALE		
	Erven	-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
	Council resolved on 18 August 2011 to alienate erven not required for basic service delivery.		
10	NON-CURRENT INVESTMENTS		
	Unlisted		
	Investment in Joint Ventures - at cost	105 062	105 062
	Total Non-Current Investments	<u>105 062</u>	<u>105 062</u>
	Managements valuations of the unlisted investments are as follows:		
	Ceres Koekedouw Management Committee - Joint Venture with Koekedouw Irrigation Board	105 062	105 062
		<u>105 062</u>	<u>105 062</u>
	The financial statements of the joint venture is summarised as follow:		
	Income	575 596	1 401 779
	Expenditure	(1 115 112)	(2 026 852)
	Non-current Assets	127 416	94 903
	Current Assets	2 524 251	3 918 394
	Non-current Liabilities	(4 300 494)	(4 273 073)
	Current Liabilities	(562 167)	(237 160)

Please note that the 2015 figures are preliminary.

Please refer to note 39.14 for amendments of prior year figures.

11 PROPERTY, PLANT AND EQUIPMENT

11.1 30 JUNE 2015

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2014	71 833 145	96 580 605	341 883 187	64 698 200	298 006	23 077 087	598 370 229
Cost	71 833 145	102 709 501	432 694 418	67 308 611	691 343	46 435 708	721 672 726
Original Cost	71 833 145	102 709 501	432 694 418	67 308 611	691 343	46 435 708	721 672 726
Accumulated Impairments	-	-	-	-	-	(528 596)	(528 596)
Original Cost	-	-	-	-	-	(528 596)	(528 596)
Accumulated Depreciation	-	(6 128 896)	(90 811 230)	(2 610 411)	(393 337)	(22 830 025)	(122 773 900)
Original Cost	-	(6 128 896)	(90 811 230)	(2 610 411)	(393 337)	(22 830 025)	(122 773 900)
Acquisitions	6 550 826	306 307	53 051 857	6 959 770	-	3 995 408	70 864 167
Impairments	-	-	-	-	-	(22 534)	(22 534)
Impairment	-	-	-	-	-	(22 534)	(22 534)
Reversals	-	-	-	-	-	-	-
Depreciation	-	(1 115 518)	(11 270 895)	(1 465 752)	(230 443)	(4 583 685)	(18 666 293)
Normal Depreciation for the year	-	(1 115 518)	(11 270 895)	(1 465 752)	(230 443)	(4 583 685)	(18 666 293)
Carrying value of disposals	(180 000)	(1 765 929)	-	-	-	-	(1 945 929)
Cost	(180 000)	(1 886 000)	-	-	-	-	(2 066 000)
Accumulated Depreciation	-	120 071	-	-	-	-	120 071
Carrying value at 30 June 2015	78 203 971	94 005 465	383 664 149	70 192 218	67 562	22 466 275	648 599 641
Cost	78 203 971	101 129 809	485 746 274	74 268 381	691 343	50 431 115	790 470 893
Original Cost	78 203 971	101 129 809	485 746 274	74 268 381	691 343	50 431 115	790 470 893
Accumulated Impairments	-	-	-	-	-	(551 131)	(551 131)
Original Cost	-	-	-	-	-	(551 131)	(551 131)
Accumulated Depreciation	-	(7 124 343)	(102 082 125)	(4 076 164)	(623 781)	(27 413 710)	(141 320 122)
Original Cost	-	(7 124 343)	(102 082 125)	(4 076 164)	(623 781)	(27 413 710)	(141 320 122)

Land and Buildings donated by Provincial government to the value of R 6 837 826 are included in acquisitions.

PROPERTY, PLANT AND EQUIPMENT CONTINUED

11.2 30 JUNE 2014

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2013	71 833 145	98 091 457	313 913 577	48 054 124	528 451	23 118 446	555 539 200
Cost	71 833 145	103 230 127	395 593 838	49 771 967	691 343	41 845 778	662 966 198
Original Cost	71 833 145	103 230 127	395 593 838	49 771 967	691 343	41 845 778	662 966 198
Accumulated Impairments	-	-	-	-	-	(449 892)	(449 892)
Original Cost	-	-	-	-	-	(449 892)	(449 892)
Accumulated Depreciation	-	(5 138 671)	(81 680 261)	(1 717 843)	(162 892)	(18 277 439)	(106 977 107)
Original Cost	-	(5 138 671)	(81 680 261)	(1 717 843)	(162 892)	(18 277 439)	(106 977 107)
Acquisitions	-	55 374	37 316 953	17 543 847	-	4 781 225	59 697 400
Transfers	-	-	-	(7 203)	-	7 203	-
Cost	-	-	-	(7 203)	-	7 203	-
Impairments	-	-	-	-	-	(78 704)	(78 704)
Impairments	-	-	-	-	-	(78 704)	(78 704)
Depreciation	-	(1 019 025)	(9 250 051)	(892 568)	(230 445)	(4 648 596)	(16 040 687)
Normal Depreciation for the year	-	(1 019 025)	(9 250 051)	(892 568)	(230 445)	(4 648 596)	(16 040 687)
Carrying value of disposals	-	(547 200)	(97 291)	-	-	(102 488)	(746 979)
Cost	-	(576 000)	(216 374)	-	-	(198 499)	(990 872)
Accumulated Depreciation	-	28 800	119 082	-	-	96 010	243 893
Carrying value at 30 June 2014	71 833 145	96 580 605	341 883 187	64 698 200	298 006	23 077 087	598 370 229
Cost	71 833 145	102 709 501	432 694 418	67 308 611	691 343	46 435 708	721 672 726
Original Cost	71 833 145	102 709 501	432 694 418	67 308 611	691 343	46 435 708	721 672 726
Accumulated Impairments	-	-	-	-	-	(528 596)	(528 596)
Original Cost	-	-	-	-	-	(528 596)	(528 596)
Accumulated Depreciation	-	(6 128 896)	(90 811 230)	(2 610 411)	(393 337)	(22 830 025)	(122 773 900)
Original Cost	-	(6 128 896)	(90 811 230)	(2 610 411)	(393 337)	(22 830 025)	(122 773 900)

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
12	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	1 348 949	1 854 341
	Cost	4 149 014	4 032 772
	Accumulated Amortisation	(2 800 065)	(2 178 431)
	Additions	13 300	116 241
	Amortisation for Year	(639 492)	(621 634)
	Net Carrying amount at 30 June	722 757	1 348 948
	Cost	4 162 314	4 149 014
	Accumulated Amortisation	(3 439 558)	(2 800 065)
13	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	49 596 404	50 373 251
	Cost	51 347 386	51 827 507
	Accumulated Depreciation	(1 750 982)	(1 454 256)
	Disposals	(271 736)	(480 121)
	Depreciation for the year	(315 166)	(296 726)
	Net Carrying amount at 30 June	49 009 502	49 596 404
	Cost	51 075 650	51 347 386
	Accumulated Depreciation	(2 066 148)	(1 750 982)
14	HERITAGE ASSETS		
	Net Carrying amount at 1 July	550 000	550 000
	Cost	550 000	550 000
	Net Carrying amount at 30 June	550 000	550 000
	Cost	550 000	550 000
	Heritage assets are carried at its cost less any accumulated impairment losses		
15	OPERATING LEASE ARRANGEMENTS		
	The Municipality as Lessor (Asset)		
	Balance on 1 July	25 448	28 049
	Movement during the year	(3 913)	(2 601)
	Balance on 30 June	21 535	25 448
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	94 706	94 706
	1 to 5 Years	136 681	231 387
	Total Operating Lease Arrangements	231 387	326 092
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for periods ranging until 2016.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
16	CAPITALISED RESTORATION COST		
	Net Carrying amount at 1 July	1 167 460	1 685 617
	Cost	11 893 337	11 496 577
	Accumulated Depreciation	(10 725 877)	(9 810 960)
	Acquisitions	43 909 260	396 760
	Depreciation for the year	(7 009 224)	(914 917)
	Net Carrying amount at 30 June	38 067 496	1 167 460
	Cost	55 802 597	11 893 337
	Accumulated Depreciation	(17 735 101)	(10 725 877)
17	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	36 122 362	24 536 438
	Deposits: Other	1 114 914	791 505
	Interest Accrued	694 140	918 795
	Other Creditors	810 106	679 310
	Library books	17 666	14 960
	Payments Received in Advance	2 554 348	4 581 862
	Pre-paid Electricity	637 202	640 981
	Retentions	4 162 853	5 268 233
	Total Trade Payables	46 113 591	37 432 084
	Payables are being recognised net of any discounts.		
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
	The carrying value of trade and other payables approximates its fair value.		
	Sundry deposits include hall, builders and housing Deposits.		
18	CONSUMER DEPOSITS		
	Water and Electricity	2 474 778	2 040 705
	Total Consumer Deposits	2 474 778	2 040 705
	Guarantees held in lieu of Electricity and Water Deposits	-	-
	The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
19	CURRENT PROVISIONS		
	Current Portion of Rehabilitation of Landfill-sites - Note 23	-	16 656 258
	Total Provisions	-	16 656 258

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20	CURRENT EMPLOYEE BENEFITS	2015 R	2014 R
	Current Portion of Post Retirement Benefits - Note 24	2 009 000	1 837 000
	Current Portion of Long-Service Provisions - Note 24	830 000	820 000
	Current Portion of Ex-gratia Pension Provisions - Note 24	51 000	54 000
	Staff Leave	6 311 508	6 673 194
	Performance Bonuses	730 369	690 395
	Staff Bonuses	3 060 083	2 905 791
	Total Current Employee Benefits	12 991 960	12 980 380

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	6 673 195	6 675 642
Contribution to current portion	536 489	634 133
Expenditure incurred	(898 176)	(636 580)
Balance at end of year	6 311 508	6 673 195

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

CURRENT EMPLOYEE BENEFITS CONTINUED

Performance Bonuses

Balance at beginning of year	690 395	930 974
Contribution to current portion	730 368	516 750
Expenditure incurred	(690 394)	(757 329)
Balance at end of year	730 369	690 395

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

Staff Bonuses

Balance at beginning of year	2 905 792	2 727 498
Contribution to current portion	5 257 225	5 092 511
Expenditure incurred	(5 102 933)	(4 914 217)
Balance at end of year	3 060 084	2 905 792

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
21	UNSPENT PUBLIC CONTRIBUTIONS		
	China - Water meters	118 962	168 362
	Essen Belgium	1 512 288	851 098
	Total Unspent Public Contributions	<u>1 631 250</u>	<u>1 019 460</u>
	Reconciliation of public contributions		
	<u>China - Water meters</u>		
	Opening balance	168 362	222 677
	Conditions met - Transferred to revenue	(49 400)	(54 315)
	Closing balance	<u>118 962</u>	<u>168 362</u>
	3580 Water meters were donated by the Chinese Government to the Witzenberg Municipality. The purpose of the donation is to provide water connections to poor households.		
	<u>Essen Belgium</u>		
	Opening balance	851 098	401 987
	Contributions received	1 091 148	754 540
	Conditions met - Transferred to revenue	(429 958)	(305 429)
	Closing balance	<u>1 512 288</u>	<u>851 098</u>
	A twinning agreement exists between Essen in Belgium and the Witzenberg Municipality. The purpose of the agreement is youth development and crèches.		
22	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	28 986 449	37 019 215
	Capitalised Lease Liability - At amortised cost	53 541	297 651
		29 039 990	37 316 866
	Current Portion transferred to Current Liabilities	(8 859 732)	(8 290 463)
	Annuity Loans - At amortised cost	(8 806 191)	(8 046 353)
	Capitalised Lease Liability - At amortised cost	(53 541)	(244 110)
		20 180 258	29 026 403
	Unamortised charges on loans	(1 831 579)	(3 317 494)
	Balance 1 July	(3 317 495)	(5 018 130)
	Adjustment for the period	1 485 916	1 700 636
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	<u>18 348 679</u>	<u>25 708 909</u>
	Refer below for maturity dates of long term liabilities:		
	The obligations under annuity loans are scheduled below:		
		Minimum annuity payments	
	Amounts payable under annuity loans:		
	Payable within one year	11 957 307	12 222 610
	Payable within two to five years	20 671 357	30 844 208
	Payable after five years	3 781 693	5 549 274
		36 410 358	48 616 092
	Less: Future finance obligations	(7 423 909)	(11 596 877)
	Present value of annuity obligations	<u>28 986 449</u>	<u>37 019 215</u>
	Annuity loans at amortised cost is calculated at an average 12.47% interest rate, with a final maturity date of 30 June 2023.		
	The obligations under finance leases are scheduled below:		
		Minimum lease payments	
	Amounts payable under finance leases:		
	Payable within one year	54 149	260 046
	Payable within two to five years	-	54 149
		54 149	314 195
	Less: Future finance obligations	(608)	(16 543)
	Present value of lease obligations	<u>53 541</u>	<u>297 652</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

23	NON-CURRENT PROVISIONS	2015 R	2014 R
	Provision for Rehabilitation of Landfill-sites	66 794 185	8 484 964
	Total Non-current Provisions	66 794 185	8 484 964
	<p>The provision includes the rehabilitation cost of landfill sites in Ceres, Prince Alfred's Hamlet, Op-die-Berg, Tulbagh and Wolseley. The expected closing dates of the sites are: Ceres - 2010 (The site is longer in operation) Prince Alfred's Hamlet - 2027 Op-die- Berg - 2019 Tulbagh - 2018 Wolseley - 2018</p>		
	<u>Landfill Sites</u>		
	Balance 1 July	25 141 223	23 566 155
	Contribution for the year	39 327 399	396 759
	Unwinding of Interest	2 325 563	1 178 308
	Total provision 30 June	66 794 185	25 141 222
	Less: Transfer of Current Portion to Current Provisions - Note 19	-	(16 656 258)
	Balance 30 June	66 794 185	8 484 964
24	EMPLOYEE BENEFITS		
	Post Retirement Benefits	69 431 000	66 518 000
	Long Service Awards	4 818 000	4 319 000
	Ex-Gratia Pension Benefits	279 000	264 000
	Total Non-current Employee Benefit Liabilities	74 528 000	71 101 000
	<u>Post Retirement Benefits</u>		
	Balance 1 July	68 355 000	53 930 000
	Contribution for the year	3 844 000	2 719 000
	Interest Cost	5 244 000	4 304 000
	Expenditure for the year	(1 765 182)	(1 460 666)
	Actuarial Loss/(Gain)	(4 237 818)	8 862 666
	Total post retirement benefits 30 June	71 440 000	68 355 000
	Less: Transfer of Current Portion - Note 20	(2 009 000)	(1 837 000)
	Balance 30 June	69 431 000	66 518 000
	<u>Long Service Awards</u>		
	Balance 1 July	5 139 000	5 076 000
	Contribution for the year	419 000	424 000
	Interest Cost	407 000	377 000
	Expenditure for the year	(490 826)	(475 780)
	Actuarial Loss/(Gain)	173 826	(262 220)
	Total long service 30 June	5 648 000	5 139 000
	Less: Transfer of Current Portion - Note 20	(830 000)	(820 000)
	Balance 30 June	4 818 000	4 319 000
	<u>Ex-Gratia Pensions</u>		
	Balance 1 July	318 000	340 000
	Interest Cost	24 000	35 000
	Expenditure for the year	(14 770)	(22 788)
	Actuarial Loss/(Gain)	2 770	(34 212)
	Total Ex-Gratia 30 June	330 000	318 000
	Less: Transfer of Current Portion - Note 20	(51 000)	(54 000)
	Balance 30 June	279 000	264 000
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	73 812 000	59 346 000
	Contribution for the year	4 263 000	3 143 000
	Interest cost	5 675 000	4 716 000
	Expenditure for the year	(2 270 778)	(1 959 234)
	Actuarial Loss/(Gain)	(4 061 222)	8 566 234
	Total employee benefits 30 June	77 418 000	73 812 000
	Less: Transfer of Current Portion - Note 20	(2 890 000)	(2 711 000)
	Balance 30 June	74 528 000	71 101 000

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
EMPLOYEE BENEFITS CONTINUED		
24.1 Post-employment Health Care Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	239	257
In-service (employee) non-members	252	239
Continuation members (e.g. Retirees, widows, orphans)	62	56
Total Members	553	552
	2015	2014
	R	R
The liability in respect of past service has been estimated to be as follows:		
In-service members	44 877 000	46 097 000
Continuation members	26 563 000	22 258 000
Total Liability	71 440 000	68 355 000
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	2013	2012
	R	R
In-service members	35 087 000	38 525 020
Continuation members	18 843 000	18 322 792
Total Liability	53 930 000	56 847 812
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonitas; LA Health Samwumed; and Keyhealth.		
Key actuarial assumptions used:	2015	2014
i) Rate of interest		
Discount rate	8.94%	8.94%
Health Care Cost Inflation Rate	8.05%	8.05%
Net Effective Discount Rate	0.82%	0.82%
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.		
The amounts recognised in the Statement of Financial Position are as follows:	2015	2014
	R	R
Present value of fund obligations	71 440 000	68 355 000
Net liability/(asset)	71 440 000	68 355 000
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits, paragraph 155 (a).		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

EMPLOYEE BENEFITS CONTINUED

	2015	2014
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	68 355 000	53 930 000
Total expenses	7 322 818	5 562 334
Current service cost	3 844 000	2 719 000
Interest Cost	5 244 000	4 304 000
Benefits Paid	(1 765 182)	(1 460 666)
Actuarial (gains)/losses	(4 237 818)	8 862 666
Present value of fund obligation at the end of the year	71 440 000	68 355 000
Less: Transfer of Current Portion - Note 20	(2 009 000)	(1 837 000)
Balance 30 June	69 431 000	66 518 000

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)
Central Assumptions	44 877	26 563	71 440

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)	% change
Central assumptions		44 877	26 563	71 440	
Health care inflation	1%	52 567	31 115	83 682	17
Health care inflation	-1%	38 671	22 889	61 560	-14
Mortality rate	20%	31 454	18 618	50 072	-30
Mortality rate	-20%	41 656	24 657	66 313	-7

24.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

496	496
-----	-----

i) Rate of interest

Discount rate	7.96%	7.96%
General Salary Inflation (long-term)	7.33%	7.33%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.59%	0.59%

2015	2014
R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5 648 000	5 139 000
Net liability	5 648 000	5 139 000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013	2012	2011
	R	R	R
Net liability	5 076 000	2 138 041	1 806 355

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

EMPLOYEE BENEFITS CONTINUED

	2015	2014
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 139 000	5 076 000
Total expenses	335 174	325 220
Current service cost	419 000	424 000
Interest Cost	407 000	377 000
Benefits Paid	(490 826)	(475 780)
Actuarial (gains)/losses	173 826	(262 220)
Present value of fund obligation at the end of the year	5 648 000	5 139 000
Less: Transfer of Current Portion - Note 20	(830 000)	(820 000)
Balance 30 June	4 818 000	4 319 000

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R'000)	% change
Central assumptions		5 648	
General salary inflation	1.00%	6 024	7%
General salary inflation	-1.00%	5 305	-6%
Withdrawal rates	20%	5 354	-5%
Withdrawal rates	-20%	5 977	6%

24.3 Ex-Gratia Pension Benefits

	2015	2014
The Ex-Gratia Pension Benefits plans are defined benefit plans.		
As at year end, the following number of employees were eligible for Ex-Gratia Pension Benefits.	38	38
i) Rate of interest		
Discount rate	7.89%	7.96%
General Pension Inflation (long-term)	7.88%	7.58%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.01%	0.35%

	2015	2014
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	330 000	318 000
Net liability	330 000	318 000
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	2013	2012
	R	R
Net liability	340 000	327 352

	2015	2014
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	318 000	340 000
Total expenses	9 230	12 212
Current service cost	-	-
Interest Cost	24 000	35 000
Benefits Paid	(14 770)	(22 788)
Actuarial (gains)/losses	2 770	(34 212)
Present value of fund obligation at the end of the year	330 000	318 000
Less: Transfer of Current Portion - Note	(51 000)	(54 000)
Balance 30 June	279 000	264 000

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

EMPLOYEE BENEFITS CONTINUED

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Total liability (R'000)	% change
Central assumptions		330	
General salary inflation	+1%	336	1.8%
General salary inflation	-1%	325	-1.5%
Withdrawal rates	+20%	329	-0.3%
Withdrawal rates	-20%	331	0.3%

24.4 Retirement funds

**2015
R** **2014
R**

CAPE JOINT PENSION FUND

The funding level of the CJPF (Pensions Account section) was 105.1% as at the 30 June 2013 valuation date compared with a 99.4% funding level as at 30 June 2012. The Fund is in a sound financial condition at the valuation date. As at the 30 June 2013 valuation date (in totality) the members contributed at a rate of 9% of pensionable salaries and (in totality) the Local Authorities contributed at a rate of 18% of pensionable salaries.

Contributions paid recognised in the Statement of Financial Performance

477 822 346 565

SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND

The funding level at the most recent actuarial valuation (1 July 2012) of 100% was calculated on a Discounted Cash Flow (DCF) basis. The funding level has improved since the previous valuation. The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2012 be maintained at 15.26%. This includes a margin of 3.92% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs.

Contributions paid recognised in the Statement of Financial Performance

386 124 268 669

DEFINED CONTRIBUTION FUNDS

Council contributes to: the Government Employees Pension Fund; Municipal Council Pension Fund; National Fund for Municipal Workers (IMATU); and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Cape Joint Retirement Fund	12 018 628	8 145 699
Municipal Councillors Pension Fund	1 619 728	174 691
National Fund For Municipal Employees (IMATU)	132 390	92 426
SAMWU National Provident Fund	3 880 300	2 588 150
	<u>17 651 045</u>	<u>11 000 967</u>

25 NET ASSET RESERVES

Capital Replacement Reserve

9 430 377 9 218 922

Total Net Asset Reserves

9 430 377 **9 218 922**

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

26	PROPERTY RATES	2015 R	2014 R
	<u>Actual</u>		
	Rates Levied	50 961 825	48 188 638
	Business	8 650 716	8 146 910
	Building Clauses	93 802	87 916
	Rural	11 427 331	11 494 202
	Industrial	5 634 045	5 279 616
	Residential	18 121 053	16 672 881
	State	5 752 356	5 234 551
	Vacant Land	1 270 424	1 265 076
	Public Service Infrastructure	12 098	7 486
	Less: Revenue Forgone	(634 195)	(538 937)
	Total Assessment Rates	50 327 630	47 649 701
	<u>Valuations - 1 JULY</u>		
	Rateable Land and Buildings		
	Residential Property	2 588 803 500	2 573 428 670
	Commercial Property	630 110 000	635 405 000
	Industrial Property	405 495 000	408 034 000
	Informal Property	29 865 000	29 805 000
	Agricultural Purposes	5 168 699 700	5 164 284 500
	State - National/ Provincial Services	408 172 000	407 331 000
	Public Service Infrastructure	6 575 000	6 576 000
	Municipal Property		
	Vacant Property	132 493 900	123 502 400
	Total Valuation	9 370 214 100	9 348 366 570

PROPERTY RATES CONTINUED

Assessment Rates are levied on the value of land and improvements. The valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates:

Residential	0.734c/R	0.680c/R
Commercial	1.396c/R	1.292c/R
Industrial	1.396c/R	1.292c/R
Bona Fide Agricultural	0.184c/R	0.170c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:
Residential - The first R15 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27	GOVERNMENT GRANTS AND SUBSIDIES	2015 R	2014 R
	Unconditional Grants	54 124 000	49 553 000
	Equitable Share	54 124 000	49 553 000
	Conditional Grants	81 518 362	87 683 955
	Grants and donations	81 518 362	87 683 955
	Total Government Grants and Subsidies	135 642 362	137 236 955
	Government Grants and Subsidies - Capital	51 634 066	48 136 433
	Government Grants and Subsidies - Operating	84 008 296	89 100 522
		135 642 362	137 236 955

Please refer to appendix D for more detailed disclosure of Government Grants and Subsidies.

The Municipality does not expect any significant changes to the level of grants.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GOVERNMENT GRANTS AND SUBSIDIES CONTINUED		2015 R	2014 R
27.1	Equitable share		
	Opening balance	-	-
	Grants received	54 124 000	48 119 000
	Conditions met - Operating	(54 124 000)	(49 553 000)
	Write off / Transfers	-	1 434 000
	Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.			
27.2	Local Government Financial Management Grant (FMG)		
	Opening balance	93	(60 285)
	Grants received	1 450 000	1 300 000
	Conditions met - Operating	(1 332 302)	(1 126 330)
	Conditions met - Capital	(118 232)	(113 292)
	Conditions still to be met/(Grant expenditure to be recovered)	(441)	93
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).			
27.3	Municipal Systems Improvement Grant		
	Opening balance	1 155	-
	Grants received	934 000	890 000
	Conditions met - Operating	(114 844)	(296 989)
	Conditions met - Capital	(820 311)	(591 856)
	Conditions still to be met/(Grant expenditure to be recovered)	-	1 155
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.			
27.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	(650 590)	(757 665)
	Grants received	21 218 000	21 020 000
	Conditions met - Operating	(2 677 604)	(2 480 241)
	Conditions met - Capital	(18 540 637)	(18 432 684)
	Conditions still to be met/(Grant expenditure to be recovered)	(650 831)	(650 590)
The grant was used to upgrade infrastructure in previously disadvantaged areas.			
27.5	Housing Grants		
	Opening balance	724 435	4 565 539
	Grants received	45 873 613	34 589 068
	Conditions met - Operating	(16 815 095)	(27 132 065)
	Conditions met - Capital	(29 697 249)	(11 298 107)
	Conditions still to be met/(Grant expenditure to be recovered)	85 704	724 435
Housing grants was utilised for the development of erven and the erection of top structures.			
27.6	Integrated National Electrification Grant		
	Opening balance	29 959	(970 041)
	Grants received	-	3 000 000
	Conditions met - Capital	-	(2 000 000)
	Conditions still to be met/(Grant expenditure to be recovered)	29 959	29 959
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.			

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GOVERNMENT GRANTS AND SUBSIDIES CONTINUED		2015 R	2014 R
27.7 Other Grants			
Opening balance		628 915	(4 628 951)
Grants received		14 069 183	29 474 577
Conditions met - Operating		(8 944 451)	(8 516 217)
Conditions met - Capital		(2 457 637)	(15 700 494)
Conditions still to be met/(Grant expenditure to be recovered)		3 296 010	628 915
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)			
27.8 Total Grants			
Opening balance		733 967	(1 851 403)
Grants received		137 668 796	138 392 645
Conditions met - Operating		(84 008 296)	(89 104 842)
Conditions met - Capital		(51 634 066)	(48 136 433)
Write off / Transfers		-	1 434 000
Conditions still to be met/(Grant expenditure to be recovered)		2 760 401	733 967
<u>Disclosed as follows:</u>			
Unspent Conditional Government Grants and Receipts		2 148 270	1 277 509
Unpaid Conditional Government Grants and Receipts		(821 870)	(1 977 543)
		1 326 400	(700 034)
28 SERVICE CHARGES			
Electricity		173 256 510	158 961 479
Water		34 394 598	36 609 186
Refuse removal		24 323 464	21 877 236
Sewerage and Sanitation Charges		24 032 661	21 276 999
Bulk service levies		1 201 646	84 809
		257 208 879	238 809 709
Less: Revenue Forgone		(16 939 409)	(14 430 735)
Total Service Charges		240 269 470	224 378 974
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.			
29 OTHER INCOME			
Application fees - Town Planning		51 582	53 131
Building Plan Fees		922 869	674 523
Cemetery Fees		180 501	180 129
Clip Cards		123 893	145 076
Collection Fees		109 681	38 041
Damages Income		28 701	14 456
Housing		257 453	251 279
Industrial Effluent		24 907	838 618
Insurance Claims Received		266 675	427 355
Mayor's Golf Day		79 500	19 836
Re-connection fees		249 949	240 226
Refuse Bags		2 699	4 822
Skills Development Levies received		401 436	152 778
Special Projects		36 020	19 360
Sundry Income		616 470	538 251
Total Other Income		3 352 336	3 597 881

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30	EMPLOYEE RELATED COSTS	2015 R	2014 R
	Salaries and Wages	77 140 496	69 918 513
	Bargaining Council Levy	45 221	43 523
	Bonuses	5 599 841	5 595 228
	Contributions For Pensions	11 333 127	11 175 573
	Contributions For Medical Aids	5 101 544	4 870 724
	Contributions For UIF	703 395	674 281
	Group Life Insurance	1 155 608	1 245 062
	Housing Benefits and Allowances	773 352	812 200
	Leave Reserve	536 489	634 132
	Long service awards	419 000	424 000
	Overtime	6 437 202	5 443 704
	Post Employment Health Care Benefits	2 926 000	2 719 000
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 935 492	3 709 928
		116 106 767	107 265 868
	Less: Employee Cost allocated elsewhere	(170 840)	(214 794)
	Total Employee Related Costs	115 935 927	107 051 074

KEY MANAGEMENT PERSONNEL

The Municipal Manager and Directors are appointed on 5-year fixed contracts.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	934 813	869 950
Performance Bonuses	169 214	308 656
Travelling Allowance	108 000	108 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	233 742	218 982
Travelling Expenses	22 718	-
Total	1 468 487	1 505 588

The performance bonus for the 2011/2012 financial year were paid during July 2013 and is included in the performance bonuses paid during the 2013 / 2014 financial year.

Remuneration of the Director Technical Services

Annual Remuneration	736 228	727 075
Performance Bonuses	130 295	112 359
Travelling Allowance	248 337	198 942
Contributions to UIF, Medical, Pension Funds and Bargaining Council	3 569	3 722
Travelling Expenses	7 641	-
Total	1 126 070	1 042 098

Remuneration of the Director Corporate Services

Annual Remuneration	687 443	668 962
Performance Bonuses	130 295	229 444
Travelling Allowance	163 947	119 363
Contributions to UIF, Medical, Pension Funds and Bargaining Council	136 907	134 169
Travelling Expenses	31 966	-
Total	1 150 558	1 151 937

The performance bonus for the 2011/2012 financial year were paid during July 2013 and is included in the performance bonuses paid during the 2013 / 2014 financial year.

Remuneration of the Director Financial Services

Annual Remuneration	574 243	469 818
Performance Bonuses	130 295	106 871
Car Allowance	180 000	180 000
Housing Allowance	84 611	144 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	149 144	124 208
Travelling Expenses	23 813	-
Total	1 142 107	1 024 897

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

EMPLOYEE RELATED COSTS CONTINUED		2015 R	2014 R
Remuneration of the Director Community Services			
Annual Remuneration		723 523	676 227
Performance Bonuses		130 295	-
Car Allowance		90 000	90 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council		174 323	131 864
Travelling Expenses		6 311	-
Total		1 124 452	898 091
31 REMUNERATION OF COUNCILLORS			
Executive Mayor		675 018	638 301
Deputy Mayor		551 961	519 208
Speaker		548 827	519 797
Mayoral Committee Members		1 975 391	1 895 498
Ordinary Councillors		3 409 035	3 349 530
Pension fund contributions		865 783	830 424
Medical aid contributions		38 880	36 044
Total Councillors' Remuneration		8 064 895	7 788 802
In-kind Benefits			
The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Executive Mayor, Speaker and all the Mayoral committee members are provided with secretarial support and an office at the cost of the Council.			
32 DEBT IMPAIRMENT			
Long term Receivables - Note 6		163 924	10 272
Receivables from exchange transactions - Note 3		11 728 586	19 527 814
Receivables from non-exchange transactions - Note 4		14 633 441	8 287 372
Total Contribution to Debt Impairment		26 525 951	27 825 458
33 DEPRECIATION AND AMORTISATION			
Property Plant and Equipment		18 666 293	16 040 687
Investment Property		315 166	296 726
Intangible Assets		639 492	621 634
Capitalised restoration cost		7 009 224	914 917
Total Depreciation and Amortisation		26 630 175	17 873 964
34 IMPAIRMENTS			
Property Plant & Equipment		22 534	278 483
Total Impairments		22 534	278 483
35 FINANCE CHARGES			
Long-term Liabilities		3 895 640	4 777 684
Ex-Gratia Pension		24 000	35 000
Post Employment Health Care Benefits		6 162 000	4 304 000
Long service awards		407 000	377 000
Capitalised restoration cost		2 325 563	1 178 308
Total finance charges		12 814 203	10 671 992
36 BULK PURCHASES			
Electricity		138 170 284	125 406 539
Total Bulk Purchases		138 170 284	125 406 539
37 GRANTS AND SUBSIDIES			
Council		293 200	219 218
Tourism		628 570	592 990
Total Grants and Subsidies		921 770	812 208

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

38	GENERAL EXPENSES	2015 R	2014 R
	Audit Fees	2 283 740	2 515 121
	Bank Charges	754 834	234 739
	Cell phone	393 738	475 662
	Chemicals	660 803	903 317
	Communication & Events	272 008	358 506
	Commission	1 532 162	1 459 675
	Connection Cost	617 673	200 300
	Consultant Fees	178 150	165 508
	Developing Projects	203 981	233 219
	Entertainment	364 000	431 586
	Eskom Electricity	1 461 121	1 482 817
	Expenditure against Public Donations	316 917	297 015
	Indigent costs	514 520	43 519
	Insurance	856 326	1 015 095
	Investigations	118 640	287 036
	Job Creation	1 185 804	-
	Membership Fees	245 011	938 251
	Printing and Stationary	1 934 934	1 853 654
	Projects	523 525	453 148
	Protective Clothing	659 197	618 927
	Professional Fees	328 153	201 699
	Refuse bags	1 741 102	1 510 530
	Rental of Offices	508 557	461 714
	Sewerage analysis	550 906	536 392
	Strategic Partnerships	289 093	334 239
	Telephone and Postage	2 178 017	1 938 257
	Training	1 480 583	945 679
	Travel and Accommodation	1 320 329	1 307 921
	TV Transponder	14 560	51 475
	Valuation Costs	71 066	392 809
	Vehicle Fleet Costs	5 387 177	5 594 649
	Veterinary Expenses	250 000	250 000
	Ward Committee Allowance	690 500	749 257
	Wards	161 033	197 661
	Water levies	705 339	251 949
	Other	2 775 339	2 879 810
	General Expenses	33 528 838	31 571 136
39	CORRECTION OF ERROR IN TERMS OF GRAP 3		
39.1	Property, Plant and Equipment		
	Balance previously reported		599 633 098
	Assets transferred from Non-current assets held for sale- Note 39.4		697 000
	Depreciation on new assets - Note 39.110 & Note 39.15		(1 681 047)
	Depreciation on new assets for 2012/2013 - Note 39.16		(278 821)
	Balance now reported		598 370 230
39.2	Intangible Assets		
	Balance previously reported		1 375 442
	Depreciation on intangible assets for 2013/2014 - Note 39.11		(22 333)
	Depreciation on intangible assets for 2012/2013 - Note 39.15		(4 161)
	Balance now reported		1 348 948
39.3	Investment property		
	Balance previously reported		45 184 991
	Assets transferred from Non-current assets held for sale- & Note 39.4		4 238 885
	Depreciation on investment property for 2013/2014 - Note 39.11		(1 855)
	Depreciation on investment property for 2012/2013 - Note 39.15		(1 855)
	Reversal of disposal - Note 39.16		176 238
	Balance now reported		49 596 404
39.4	Non-current assets held for sale		
	Balance previously reported		4 935 885
	Assets transferred to Property Plant and Equipment - Note 39.1		(697 000)
	Assets transferred to Investment Property - Note 39.3		(4 238 885)
	Balance now reported		0

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
CORRECTION OF ERROR IN TERMS OF GRAP 3 CONTINUED		
39.5 Unpaid Conditional Government Grants and Receipts		
Balance previously reported		9 258 887
Change of financing source of capital expenditure - Note 39.16		<u>(7 281 344)</u>
Balance now reported		<u>1 977 543</u>
39.6 Inventory		
Balance previously reported		8 019 476
Inventory used in repairs of sewerage network - Note 39.12 & Note 39.15		<u>(467 249)</u>
Balance now reported		<u>7 552 227</u>
39.7 Current Employee benefits		
Balance previously reported		12 901 380
Correction of valuation of employee benefits - Note 39.8 & Note 39.1 & Note 39.15		<u>79 000</u>
Balance now reported		<u>12 980 380</u>
39.8 Non Current Employee benefits		
Balance previously reported		61 122 000
Correction of valuation of employee benefits - Note 39.7 & Note 39.1 & Note 39.15		<u>9 979 000</u>
Balance now reported		<u>71 101 000</u>
39.9 Payables from exchange transactions		
Balance previously reported		37 340 464
Recognition of creditor for cellular phone useage - Note 39.15		<u>91 620</u>
Balance now reported		<u>37 432 084</u>
39.10 Gain / (loss) on Actuarial Valuations		
Balance previously reported		1 491 766
Correction of valuation of employee benefits - Note 39.7 & Note 39.8 & Note 39.15		<u>(10 058 000)</u>
Balance now reported		<u>(8 566 234)</u>
39.11 Depreciation and Amortisation		
Balance previously reported		16 168 729
Depreciation on new assets - Note 39.15 & Note 39.1		1 681 047
Depreciation on new intangible assets for 2013/2014 - Note 39.2		22 333
Depreciation on investment property for 2012/2013 - Note 39.3		<u>1 855</u>
Balance now reported		<u>17 873 964</u>
39.12 Repairs and Maintenance		
Balance previously reported		14 526 317
Inventory used in repairs of sewerage network - Note 39.6 & Note 39.15		<u>467 249</u>
Balance now reported		<u>14 993 566</u>
39.13 Contracted services		
Balance previously reported		36 916 862
Security services previously included with General Expenses - Note 39.14		<u>205 557</u>
Balance now reported		<u>37 122 419</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CORRECTION OF ERROR IN TERMS OF GRAP 3 CONTINUED		2015 R	2014 R
39.14 General Expenses			
Balance previously reported			31 685 073
Security services previously included with General Expenses - Note 39.13			(205 557)
Recognition of creditor for cellular phone useage - Note 39.15			91 620
Balance now reported			31 571 136
39.15 Net Surplus for the year			
Balance previously reported			63 022 161
Recognition of creditor for cellular phone useage - Note 39.9			(91 620)
Inventory used in repairs of sewerage network - Note 39.12 & Note 39.6			(467 249)
Correction of valuation of employee benefits - Note 39.7 & Note 39.8 & Note 39.10			(10 058 000)
Depreciation on new assets - Note 39.1 & Note 39.11			(1 681 047)
Depreciation on new intangible assets for 2013/2014 - Note 39.2			(22 333)
Depreciation on investment property for 2013/2014 - Note 39.3			(1 855)
Balance now reported			50 700 056
39.16 Accumulated Surplus			
Balance previously reported			506 731 018
Change of financing source of capital expenditure - Note 39.5			(7 281 344)
Depreciation on new assets for 2012/2013 - Note 39.11			(278 821)
Depreciation on new intangible assets for 2012/2013 - Note 39.2			(4 161)
Depreciation on investment property for 2012/2013 - Note 39.3			(1 855)
Reversal of disposal - Note 39.3			176 238
Balance now reported			499 341 075
39.17 Ceres Koekedouw Management Committee			
Balance previously reported: Income			17
Financial statements for 2013/2014 received on 31 August 2015			1 401 762
Balance now reported			1 401 779
Balance previously reported: Expenditure			(1 906 744)
Financial statements for 2013/2014 received on 31 August 2015			(120 108)
Balance now reported			(2 026 852)
Balance previously reported: Non-current Assets			103 826
Financial statements for 2013/2014 received on 31 August 2015			(8 923)
Balance now reported			94 903
Balance previously reported: Current Assets			696 470
Financial statements for 2013/2014 received on 31 August 2015			3 221 924
Balance now reported			3 918 394
Balance previously reported: Non-current Liabilities			(1 417 059)
Financial statements for 2013/2014 received on 31 August 2015			(2 856 014)
Balance now reported			(4 273 073)
Balance previously reported: Current Liabilities			(1 289 963)
Financial statements for 2013/2014 received on 31 August 2015			1 052 803
Balance now reported			(237 160)

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY	2015 R	2014 R
	Surplus/(Deficit) for the year	75 432 439	50 700 057
	<u>Adjustments for:</u>		
	Depreciation	25 990 684	17 252 330
	Amortisation of Intangible Assets	639 492	621 634
	Gain on disposal of property, plant and equipment	(4 145 450)	-
	Loss on disposal of property, plant and equipment	-	749 801
	Gain on Adjustment of Provision	(4 581 861)	-
	Unamortised Discount on Loans	1 485 513	1 698 432
	Debt Impairment	26 362 027	27 815 186
	Debt Impairment - Long term receivables	163 924	10 272
	Stock Adjustments	(1 302)	(98 526)
	Contribution from/to provisions	2 325 563	1 178 308
	Contribution from/to employee benefits	7 499 801	5 835 034
	Actuarial Loss	(4 061 222)	8 566 234
	Donated assets included in Public Contributions	(6 837 826)	-
	Impairment written off	22 534	278 483
	Operating lease income accrued	3 913	2 601
	Operating Surplus/(Deficit) before changes in working capital	120 298 229	114 609 846
	Changes in working capital	(21 947 159)	(45 505 273)
	Increase/(Decrease) in Trade and Other Payables	8 681 507	(7 695 453)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	870 761	(5 351 173)
	Increase/(Decrease) in Unspent Public Contributions	611 790	394 795
	Increase/(Decrease) in Taxes	(567 751)	(1 645 023)
	(Increase)/Decrease in Inventory	229 445	(2 067 466)
	(Increase)/Decrease in Trade and other receivables	(32 928 584)	(35 643 497)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	1 155 673	6 502 544
	Cash generated/(absorbed) by operations	98 351 070	69 104 573
		<hr/>	<hr/>
41	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 2	62 383 031	33 062 878
	Investments - Note 10	105 062	105 062
		<hr/>	<hr/>
		62 488 093	33 167 940
	Less:	2 148 270	1 277 509
	Unspent Committed Conditional Grants - Note 7	2 148 270	1 277 509
	Resources available for working capital requirements	60 339 823	31 890 431
	Allocated to:		
	Capital Replacement Reserve	9 430 377	9 218 922
	Employee Benefits Reserve	87 519 960	84 081 380
	Non-Current Provisions Reserve	66 794 185	8 484 964
	Shortfall in working capital requirements	(103 404 699)	(69 894 835)
		<hr/>	<hr/>
42	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 22	29 039 990	37 316 866
	Used to finance property, plant and equipment - at cost	(29 039 990)	(37 316 866)
		<hr/>	<hr/>
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43

BUDGET COMPARISONS

2015
R2014
R

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance

Net surplus/deficit per the statement of financial performance		75 432 439	
Adjusted for:			
Fair value adjustments	a)	4 061 222	
Depreciation and Amortisation recognised / reversed	b)	9 633 849	
Increases in debt impairment	c)	8 525 951	
Employee related cost	d)	(1 692 741)	
Finance Charges	e)	1 300 991	
Bulk Purchases	f)	(8 979 715)	
Other Expenditure	g)	1 175 924	
Rates & Service Charges	h)	7 972 673	
Grants & Donations	i)	(1 700 205)	
Other Income	j)	(3 128 196)	
Net surplus/deficit per approved budget		60 425 228	

- a) Actuarial gains on Employee Benefits
- b) Depreciation less than expected due to slow capital spending
- c) Collection ratio less than expected. Collection of traffic fines to slow
- d) Employee cost less than budget due to vacancies not filled timeously
- e) Loans redeemed
- f) Bulk purchases less than expected.
- g) Other expenditure less than expected.
- h) Property rates increase due to the inclusion of the District Management Area .
- i) Improved spending of Grants received.
- j) More interest earned than expected.

Please refer to the statement of comparison of budget and actual amounts for more information.

44

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Unauthorised expenditure current year - operating	7 757 172	-
Unauthorised expenditure awaiting authorisation	<u>7 757 172</u>	<u>-</u>

Unauthorised expenditure on operating votes are due to:
 - Increased depreciation on Capital Restoration cost and
 - Debt impairment of service and fines debtors..

44.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	430 556
Ratified by Accounting Officer	-	(430 556)
Irregular expenditure awaiting further action	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
Non-compliance with the supply chain management regulations.	Investigated report to Municipal Manager

The Municipal Manager has ratified the minor breaches of the supply chain management regulations in terms of section 36 (1) (b) of the mentioned regulations.

Please refer to Note 45.7 for more information.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

44.3	<u>Material Losses</u>	2015	2014
	Water distribution losses		
	- Kilolitres purified	7 079 144	6 938 436
	- Kilolitres sold	5 615 840	5 059 681
	- Kilolitres lost during distribution	1 463 304	1 878 755
	- Percentage lost during distribution	20.67%	27.08%
	- Value of kilolitres lost during distribution	836 035	1 028 474
	- The value of kilolitres lost is based on the treatment cost of water.		
	Electricity distribution losses		
	- Units purchased (Kwh)	194 232 557	189 335 853
	- Units sold (Kwh)	177 550 538	171 433 978
	- Units lost during distribution (Kwh)	16 682 019	17 901 875
	- Percentage lost during distribution	8.59%	9.46%
	- Value of units lost during distribution (Kwh)	11 867 008	11 857 301
45	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	-	-
	Council subscriptions	231 672	931 180
	Amount paid - current year	(231 672)	(931 180)
	Balance unpaid (included in Payables from exchange transactions)	-	-
45.2	<u>Audit fees - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	-
	Current year audit fee	2 368 781	2 655 975
	External Audit - Auditor-General	2 283 740	2 515 121
	Internal Audit	-	(5 986)
	Audit Committee	85 041	146 840
	Amount paid - current year	2 368 781	2 655 975
	Balance unpaid (included in Payables from exchange transactions)	-	-
45.3	<u>VAT - [MFMA 125 (1)(c)]</u>		
	Opening balance	2 386 275	(1 997 217)
	Amounts received - Output VAT - current year	(36 231 268)	(30 650 202)
	Amounts claimed - Input VAT - current year	31 323 847	31 444 000
	Amount paid - current year	3 502 345	1 592 477
	Amount paid - previous year	(2 386 275)	1 997 217
	Closing balance	(1 405 076)	2 386 275
	Vat in suspense due to cash basis of accounting		
	Input VAT	7 448 592	4 585 102
	Output VAT	(2 841 524)	(545 785)
	Receivable	4 607 068	4 039 317
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
45.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	13 031 218	12 810 858
	Amount paid - current year	(13 031 218)	(12 810 858)
	Balance unpaid (included in Payables from exchange transactions)	-	-
45.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	27 177 307	25 920 005
	Amount paid - current year	(27 177 307)	(25 920 005)
	Balance unpaid (included in Payables from exchange transactions)	-	-

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

No Councillors had arrear accounts for more than 90 days as at 30 June 2015:

During the year no Councillors had arrear accounts outstanding for more than 90 days.

45.7 Discloser in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36 (2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1) (a)

	Amount	Single Supplier	Type of deviation Impossible	Impractical	Emergency
July	449 877	3	-	26	8
August	310 137	7	1	16	12
September	323 399	5	-	12	11
October	1 769 026	7	-	15	6
November	1 463 035	6	-	33	1
December	937 343	8	-	28	10
January	292 346	9	-	8	3
February	1 967 341	14	-	27	13
March	559 621	4	-	15	5
April	813 974	7	-	15	7
May	471 177	4	-	17	4
June	3 041 203	17	-	44	11
	<u>12 398 477</u>	<u>91</u>	<u>1</u>	<u>256</u>	<u>91</u>

Regulation 45 - Details of awards made to close family members of persons in service of State

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
Williams Loodgijters	SR Williams	Husband	R Williams	Dept. of Health: Nurse	R 55 760
L & E Blinds	AHE de Jongh	Husband	E de Jongh	Dept. Correctional services: Correctional officer	R 11 465
Queen's Cake	M Zimri	Wife	JJ Zimri	Department of Correctional Services; Correctional officer	R 88 657
		Mother	MM Zimri	Witzenberg Municipality: Supervisor meter readers	
SEW Plumbing	SE Williams	Wife	L Williams	Dept. of Health: Admin Officer	R 88 000
		Mother	R Williams	Dept. of Health: Nurse	
Regan Brown Attorneys	R Brown	Brother	E Johnson	City of Cape Town: Traffic Dept	R 109 232
		Brother	D Johnson	SAPS: Worcester	
O'neil & Visser Attorneys	CW O'neil	Husband	H O'neill	DOJ: Worcester	R 363 071
Well Earned Trading	J Schuurman	Husband	R Schuurman	WCED: Teacher	R 46 180
Vox Elektries	F Blom	Husband	M Blom	SAPS: Officer	R 105 932
Witzenberg Concrete	D Ontong	Wife	C Ontong	WCED: Teacher	R 15 602
Creative Minds	Johan Jordaan	Husband	WA Jordaan	WCED: Occupational therapist	R 4 400
J Wessels	J Wessels	Husband	M Wessels	Witzenberg Municipality: Social Worker	R 11 198
JC Fencing	JJ Abrahamse	Father	K Abrahamse	Witzenberg Municipality: Traffic Officer	R 39 020
Freddie Opperman	Freddie Opperman	Wife	J Opperman	WCED: Teacher	R 15 620
Ivan A Pharo	I Pharo	Husband	D Pharo	WCED: Teacher	R 45 535

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

46

COMMITMENTS

**2015
R**

**2014
R**

Commitments in respect of expenditure:

Approved and contracted for

Infrastructure
Community
Other Capital
Operational

34 862 077

35 485 602

14 190 064

10 667 392

748 000

8 555 278

-

23 748

19 924 013

16 239 184

Total

34 862 077

35 485 602

47

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates

176 356

(4 199)

0.5% Decrease in interest rates

(176 356)

4 199

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 3 and 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 3 for balances included in receivables that were re-negotiated for the period under review.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

FINANCIAL RISK MANAGEMENT CONTINUED

Balances past due not impaired:

	2015 %	2015 R	2014 %	2014 R
<u>Long Term Receivables</u>				
Rates & other	34.46%	113 693	32.47%	114 767
<u>Non-Exchange Receivables</u>				
Rates & other charges	18.51%	6 962 640	22.04%	5 905 223
<u>Exchange Receivables</u>				
Electricity	77.63%	28 086 265	80.98%	24 941 013
Water	14.34%	9 013 968	16.49%	9 192 454
Housing Rentals	5.66%	133 096	4.17%	85 117
Refuse	11.77%	4 108 468	9.01%	2 606 228
Sewerage	12.30%	3 467 962	11.33%	2 633 515
Other	16.65%	422 693	13.37%	264 984
	26.54%	45 232 452	27.83%	39 723 311

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 3 and 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
<u>Long Term Receivables</u>				
Rates & other	0.11%	163 924	0.14%	178 723
<u>Non-Exchange Receivables</u>				
Rates & other	20.08%	30 652 341	16.83%	20 882 096
<u>Exchange Receivables</u>				
Electricity	5.30%	8 095 403	4.72%	5 856 706
Water	35.28%	53 852 677	37.52%	46 545 818
Housing Rentals	1.45%	2 216 765	1.58%	1 957 295
Refuse	20.19%	30 812 398	21.20%	26 304 072
Sewerage	16.20%	24 730 836	16.61%	20 608 452
Other	1.39%	2 116 125	1.38%	1 717 628
	79.81%	121 824 204	83%	102 989 971

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
Residential	86.88%	132 614 481	83.23%	103 247 043
Commercial	0.01%	22 047	0.00%	4
Business	6.75%	10 305 185	7.79%	9 660 018
Government	2.19%	3 344 205	0.80%	992 907
Other	4.16%	6 354 551	8.18%	10 150 819
	100.00%	152 640 469	100.00%	124 050 790

	2015 %	2015 R	2014 %	2014 R
<u>Exchange Receivables</u>				
Electricity	21.66%	1 273	21.58%	1 867
Water	37.63%	2 212	39.06%	3 379
Housing Rentals	1.41%	83	1.43%	124
Refuse	20.90%	1 229	20.26%	1 753
Sewerage	16.88%	992	16.29%	1 409
Other	1.52%	89	1.39%	120
	100.00%	5 879	100.00%	8 652

Bad debts written off per debtor class:

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

FINANCIAL RISK MANAGEMENT CONTINUED

**2015
R**

**2014
R**

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	165 993	227 666
Receivables from exchange transactions	48 589 223	33 639 420
Receivables from non-exchange transactions	17 438 767	1 778 704
Cash and Cash Equivalents	62 383 031	30 853 256
Non-Current Investments	105 062	105 062
Unpaid conditional grants and subsidies	821 870	15 678 100
	<u>129 503 946</u>	<u>82 282 208</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities	11 957 307	20 671 357	3 776 013	-
Capital repayments	8 806 191	16 769 605	3 404 972	-
Interest	3 151 116	3 901 752	371 041	-
Trade and Other Payables	44 170 905	-	-	-
Unspent conditional government grants and receipts	2 148 270	-	-	-
	<u>58 276 482</u>	<u>20 671 357</u>	<u>3 776 013</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Long Term liabilities	12 222 609	30 844 208	5 554 809	-
Capital repayments	8 046 353	24 148 824	4 824 037	-
Interest	4 176 256	6 695 384	730 772	-
Trade and Other Payables	35 854 689	-	-	-
Unspent conditional government grants and receipts	1 277 509	-	-	-
	<u>49 354 807</u>	<u>30 844 208</u>	<u>5 554 809</u>	<u>-</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		R	R
48	FINANCIAL INSTRUMENTS		
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
48.1	<u>Financial Assets</u>		
	<u>Classification</u>		
	Investments		
	Fixed Deposits	-	-
	Long-term Receivables		
	Officials Housing Loans	268 717	282 988
	Rates (Re-negotiated terms)	41 553	44 363
	Councillor Allowances	24 300	31 126
	Receivables		
	Receivables from exchange transactions	48 589 223	39 723 312
	Receivables from non-exchange transactions	17 438 767	8 365 091
	Other Receivables		
	Government Subsidies and Grants	821 870	1 977 543
	Current Portion of Long-term Receivables		
	Officials Housing Loans	20 071	21 331
	Sport Club Loans	7 929	7 474
	Bank Balances and Cash		
	Bank Balances	62 374 606	33 054 452
	Cash Floats and Advances	8 425	8 426
		129 595 461	83 516 106
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	129 595 461	83 516 106
	At amortised cost	129 595 461	83 516 106
48.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Long-term Liabilities		
	Annuity Loans	37 792 640	45 065 568
	Capitalised Lease Liability	107 082	541 761
	Payables from exchange transactions		
	Trade creditors	36 122 362	24 536 438
	Arrear portion of long term liabilities		
	Retentions	2 554 348	4 581 862
	Deposits	637 202	640 981
	Other	4 856 993	6 187 028
	Other Payables		
	Government Subsidies and Grants	2 148 270	1 277 509
	Current Portion of Long-term Liabilities		
	Annuity Loans	(8 806 191)	(8 046 353)
	Capitalised Lease Liability	(53 541)	(244 110)
		75 359 165	74 540 684
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	75 359 165	74 540 684
49	IN-KIND DONATIONS AND ASSISTANCE		
	Fire Truck donated by Cape Winelands District Municipality		847 479
50	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

51

CONTINGENT LIABILITY

	2015 R	2014 R
Claims against Council	4 243 631	3 955 193
Estimate legal Fees	721 023	240 666

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. Management are respectfully of opinion that this matter will be successfully defended. The Municipality is defending all the claims. The amounts indicated is Management's estimated financial exposure. The following are narratives of the cases:

GP Bezuidenhout	Mr Gert Bezuidenhout has issued a summons out of the High Court against the Municipal Manager and Witzenberg Municipality for damages. Mr Bezuidenhout's claim is based on the premise that the Municipal Manager made an affidavit in the labour matter instituted by Mr Bezuidenhout that he was found guilty of fraud whilst he was found guilty of a lesser dishonest offence.	844 349	844 349
IMATU on behalf of GP Bezuidenhout	This is an application for review of a SALGBC ruling in which the Commissioner found the Bargaining Council does not have jurisdiction to hear Mr Bezuidenhout's dispute about an alleged occupational detriment as it relates to an alleged protected disclosure and the Labour Court has exclusive jurisdiction. The Applicant asks the court to order the Bargaining Council to arbitrate the dispute. Matter prescribed, plaintiff did not proceed with issuing of summons.	Matter prescribed	40 000
F Daniels / SALGBC & two others	The applicant was the former Manager of Traffic. He was dismissed after an internal disciplinary hearing on 21/09/2009, where after he unsuccessfully appealed internally against the sanction of dismissal. Management is of opinion that the risk of the municipality being ordered to pay Mr Daniel's legal fees is slim.	1 000 000	
WB Koeries/SALGBC & two others	The applicant was employed in the traffic department. He was dismissed after an internal disciplinary hearing and is attempting to get an arbitration award against the municipality. Stale in terms of new labour court rules		299 000
Ceres Inn	Ceres Inn alleged that they delivered a service to Witzenberg Municipality by providing lunch/dinner to a former Mayor. Management denies this allegation until proof can be provided in the form of an order number, which must be issued beforehand according to our supply chain policies.	823	823
Benjamin Weitz	A minor was electrocuted on 5 August 2009 at an electrical installation situated near a public park. The premises are fenced but Mr Weitz alleged that the security measures of the municipality are insufficient. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote. Matter prescribed, plaintiff did not proceed with issuing of summons.	Matter prescribed	1 210 000
L Louw	A child was assaulted at the Pine Forest. The claimant alleged that the security measures at the Pine Forest were not sufficient to protect the child. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	1 427 600	1 427 600
F Viljoen	On 23 July 2011 at approximately 00h30 and along Retief Street, Ceres, the Plaintiff sustained serious injuries after colliding with a heap of gravel which the claimant alleged had been placed in the middle of the street by persons in the employment of the Municipality. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	251 672	
Telemasters	Witzenberg municipality cancelled the contract with Telemasters according to the stipulations of the contract. Telemasters alleges that the contract was not cancelled and sued the municipality for breach of contract. The chance that any amount might be payable by the municipality is remote.	133 421	133 421
Packaging Services PTY (Ltf)	Plaintiff alleges that the Witzenberg Municipality do not comply with the permit conditions for the Tulbagh landfill site. Plaintiff seek closure of, or improved management of the landfill site.		
Gunter	Plaintiff claims damages from the municipality after she fell on the sidewalk. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	585 766	
		4 243 631	3 955 193

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

52.2 Compensation of key management personnel

The compensation of key management personnel is set out in Note 30 to the Annual Financial Statements.

52.3 Other related party transactions

No purchases were made during the year where Councillors or staff have an interest.

**APPENDIX A - Unaudited
WITZENBERG MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2014	Received during the period	Redeemed / written off during the period	Balance at 30 JUNE 2015
ANNUITY LOANS							
ABSA	10.21%	90-9200-8204	2015-12-30	18 430		12 003	6 427
ABSA	10.21%	20-9200-9990	2015-12-30	31 511		20 525	10 986
ABSA	10.21%	0-9205-8859	2015-12-30	8 654		5 639	3 015
NED BANK	8.00%	5032156 0001	2015-05-30	243 901		243 901	0
NED BANK	8.00%	5032113 0001	2018-05-30	821 682		173 806	647 876
NED BANK	8.00%	5032032 0001	2023-05-30	8 055 110		585 783	7 469 327
CERES GOLF CLUB	18.00%	49	2018-06-30	25 244		4 785	20 459
DBSA	12.00%	10478/102	2017-09-30	1 504 705		549 967	954 738
DBSA	12.00%	10525/104	2017-03-31	16 896 986		4 895 228	12 001 757
DBSA	15.25%	11188/101	2018-09-30	5 803 513		980 921	4 822 592
DBSA	15.50%	10772/101	2018-09-30	1 316 509		221 499	1 095 010
DBSA	9.50%	102040/1	2021-09-30	232 774		22 522	210 252
DBSA	10.75%	13161/101	2014-12-31	2 215		2 215	0
DBSA	15.25%	13164/101	2014-12-31	1 434		1 434	0
DBSA	8.59%	100605/1	2023-06-30	2 056 547		312 537	1 744 010
Total Annuity Loans				37 019 214	-	8 032 764	28 986 449
LEASE LIABILITY							
Office Equipment		Various	2012/02/29	297 651	-	244 110	53 541
Total Lease Liabilities				297 651	-	244 110	53 541
TOTAL EXTERNAL LOANS				37 316 865	-	8 276 874	29 039 990

**APPENDIX B - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
MUNICIPAL VOTES CLASSIFICATION**

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
59 522 836	(29 054 493)	30 468 342	Budget & Treasury Office	64 349 868	(34 036 390)	30 313 478
97 114 431	(78 308 535)	18 805 897	Civil Services	109 599 719	(81 545 652)	28 054 067
59 250 489	(15 942 068)	43 308 421	Community & Social Services	59 551 132	(18 958 602)	40 592 530
880 124	(35 846 539)	(34 966 415)	Corporate Services	11 595 809	(24 323 902)	(12 728 093)
158 939 705	(146 018 369)	12 921 336	Electro Technical Services	172 655 333	(157 691 166)	14 964 167
3 309 306	(21 697 658)	(18 388 352)	Executive & Council	4 139 420	(22 029 582)	(17 890 162)
27 198 735	(29 694 819)	(2 496 084)	Housing	15 576 341	(17 738 684)	(2 162 342)
1 010 598	(4 373 343)	(3 362 745)	Planning	2 275 301	(4 353 887)	(2 078 586)
11 683 944	(14 967 089)	(3 283 145)	Public Safety	15 083 006	(19 835 801)	(4 752 794)
24 456 314	(16 763 515)	7 692 799	Sport & Recreation	20 130 062	(19 009 890)	1 120 172
443 366 483	(392 666 427)	50 700 055	Total	474 955 991	(399 523 554)	75 432 437

**APPENDIX C - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
3 309 306	(20 002 739)	(16 693 434)	Executive and Council	4 139 420	(20 328 570)	(16 189 150)
121 986 127	(29 054 493)	92 931 633	Budget and Treasury Office	64 349 868	(34 036 390)	30 313 478
880 124	(37 774 834)	(36 894 710)	Corporate Services	11 914 745	(26 027 115)	(14 112 370)
1 010 598	(6 928 356)	(5 917 758)	Planning and Development	2 275 301	(7 275 069)	(4 999 768)
58 004 644	(12 544 377)	45 460 267	Community and Social Services	59 294 209	(16 260 281)	43 033 928
27 198 735	(29 694 819)	(2 496 084)	Housing	15 576 341	(17 738 684)	(2 162 342)
8 260 172	(12 730 815)	(4 470 643)	Public Safety	11 134 368	(17 075 783)	(5 941 416)
24 456 314	(16 763 515)	7 692 799	Sport and Recreation	20 130 062	(19 009 890)	1 120 172
1 245 845	(1 824 823)	(578 977)	Environmental Protection	256 923	(973 732)	(716 808)
18 749 086	(25 238 379)	(6 489 293)	Waste Management	20 709 592	(26 002 762)	(5 293 170)
31 699 660	(24 083 342)	7 616 318	Waste Water Management	38 644 505	(23 713 402)	14 931 103
5 781 603	(12 753 095)	(6 971 493)	Road Transport	16 137 212	(17 042 366)	(905 155)
44 307 856	(18 469 993)	25 837 863	Water	38 057 049	(17 547 139)	20 509 910
158 939 705	(144 802 848)	14 136 858	Electricity	172 336 396	(156 492 372)	15 844 024
-	-	-	Other	-	-	-
505 829 774	(392 666 427)	113 163 346	Total	474 955 991	(399 523 554)	75 432 437

**APPENDIX D - Unaudited
WITZENBERG MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2014	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2015	Unspent 2015 (Payable)	Unpaid 2015 (Receivable)
R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>								
Finance Management Grant	93	1 450 000	-	(1 332 302)	(118 232)	(441)	-	441
DWAF - Drought relief	-	-	-	-	-	-	-	-
Municipal Systems Improvement Grant	1 155	934 000	-	(114 844)	(820 312)	-	-	-
Municipal infrastructure Grant	(650 590)	21 218 000	-	(2 677 604)	(18 540 637)	(650 831)	-	650 831
Regional Bulk Infrastructure Grant (DWAF)	(889 000)	889 000	-	-	-	-	-	-
Housing - Kluitjieskraal	(85 704)	-	85 704	-	-	-	-	-
Integrated National Electricity Program	29 959	-	-	-	-	29 959	29 959	-
Equitable share	-	54 124 000	-	(54 124 000)	-	-	-	-
Department of Rural Development	(116 316)	671 831	-	-	-	555 515	555 515	-
ACIP funds (DWAF)	-	-	-	-	-	-	-	-
Expanded Public Works Programme	(66 363)	1 000 000	-	(1 037 449)	-	(103 813)	-	103 813
Neighbourhood Development Plan	321	-	-	-	-	321	321	-
<u>Provincial Government Grants</u>								
Library services	(71 739)	4 286 000	-	(1 809 489)	(1 868 485)	536 287	536 287	-
Library services Replacement Funding	(26 830)	5 459 000	-	(5 436 988)	(61 967)	(66 785)	-	66 785
CDW	221 545	139 904	-	(100 527)	-	260 922	260 922	-
Main roads	(71 000)	71 000	-	-	-	-	-	-
Municipal Infrastructure Support Grant	-	730 000	-	(57 550)	(527 183)	145 266	145 266	-
Draught Relief	-	-	-	-	-	-	-	-
State Funeral	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-
Housing	724 436	45 873 613	(85 704)	(16 815 095)	(29 697 249)	-	-	-
Financial Management Training	300 000	822 449	-	(502 449)	-	620 000	620 000	-
	-	-	-	-	-	-	-	-
Total	(700 033)	137 668 796	-	(84 008 296)	(51 634 066)	1 326 402	2 148 271	821 870